

ORIGINAL

# OPEN MEETING



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## MEMORANDUM RECEIVED

Arizona Corporation Commission

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SEP 16 2009

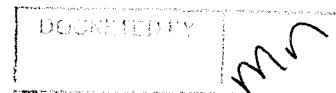
TO: THE COMMISSION

2009 SEP 16 P 12:27

FROM: Utilities Division

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DATE: September 16, 2009



RE: ARIZONA PUBLIC SERVICE COMPANY - REQUEST FOR APPROVAL OF  
MODIFICATIONS TO DECISION NO. 70960 (DOCKET NO. E-01345A-07-0712)

### Background

On June 12, 2009, Arizona Public Service Company ("APS") filed a request for approval of modifications to Decision No. 70960 (April 7, 2009). Decision No. 70960 approved revisions to APS' Residential Existing Home Heating, Ventilation and Air Conditioning ("Residential HVAC") demand-side management program.

The Residential HVAC program promotes the replacement of air conditioners and heat pumps in existing homes with more energy-efficient equipment. Because actual measured energy savings from the Residential HVAC program were found to be lower than had been expected, Decision No. 70960 approved revisions to the program that would make it more cost-effective. Revisions include combining equipment rebates with quality installation rebates to increase the likelihood that each rebated installation is properly installed to achieve the expected energy savings.

Decision No. 70960 also provides that the combined equipment and quality installation rebates are only be available if the HVAC installations are installed by APS Qualified Contractors. In order to be an APS-certified Qualified Contractor, a company has to be a member of the Arizona Heat Pump Council ("Council") and the Electric League of Arizona ("ELA"), and at least 10 percent of the company's technicians need to complete all of the Arizona Heat Pump Council's training classes required for Master Technician certification. There is also a continuing education requirement that requires the company's technicians as a whole to complete on average a minimum of one class per technician per year. There are currently 147 Qualified Contractors.

The cost of annual membership is \$1,400 for the Council and \$321 for the ELA. The total cost for each technician employed by a contractor in the Qualified Contractor program to take the classes for Master Technician certification is \$452. The total costs for each technician of a contractor, not a member of the Council, to take the classes for Master Technician certification is \$1,159.

APS Request

APS' request for modification of Decision No. 70960 proposes the following:

1. Contractors that are not members of the Council and ELA could offer rebates if:
  - a. They are licensed, bonded and insured, and
  - b. They complete the same training required of APS Qualified Contractors.
2. APS would pay contractors who do not want to remain members of the Council and ELA the prorated remainder of their annual membership dues, and such payments would be recoverable program expenses.

If the above modifications are approved, APS would list on its website the contractors eligible to offer rebates. To keep track of training, APS would require contractors which are not members of the Council and ELA to send APS a list of their Master Technicians at the end of each month. The contractor would also need to send a certificate of completion of the class work required to satisfy the on-going training requirement. The contractor would be removed from the eligibility list if the contractor has less than the required number of Master Technicians or is not in compliance with the on-going training requirement until the situation is corrected. APS expects this tracking to add an additional \$10,000 to \$15,000 annual expense to the program, but the cost may be balanced by additional energy savings resulting from increased participation in the program.

On July 23, 2009, APS' request for modification of Decision No. 70960 was placed on a Commission Staff Open Meeting agenda for consideration. At that time, the Commission directed Staff to evaluate APS' request.

Staff Analysis and Recommendations

Staff believes that eliminating the requirement that contractors be members of the Council and ELA would have no impact on the cost-effectiveness of the APS Residential HVAC program as long as the quality of the installations is maintained. It is training that would be expected to contribute to properly installing HVAC equipment, not membership in particular organizations.

Staff recommends that the Commission amend Decision No. 70960 to allow contractors to offer rebates through the APS Residential HVAC program without being members of the Council and ELA if they (1) are licensed, bonded and insured, and (2) obtain training or certification from the Council or equivalent training or certification that is acceptable to APS. Examples of equivalent training or certification may include, but not be limited to, certification in air conditioning installation or heat pump installation provided by North American Technician Excellence, training provided or sponsored by the Arizona Energy Office, certification by the

THE COMMISSION

September 16, 2009

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Building Performance Institute, training provided through Air Conditioning Contractors of America, certification by HVAC Excellence, or training provided or sponsored by a utility.

Staff recommends denial of APS' proposal to pay contractors who do not want to remain members of the Council and ELA the prorated remainder of their annual membership dues, and recover such payments as program expenses. Ratepayers should not be responsible for the cost. If the Commission were to decide otherwise, the payments could total about \$31,000.

Staff further recommends that all other requirements of Decision No. 70960 should remain.

If any of the parties to Decision No. 70960 desire a hearing in this matter, they should indicate that request by making an appropriate filing in Docket Control by September 21, 2009.

for   
Steven M. Olea  
Director  
Utilities Division

SMO:BEK:lhmvJFW

ORIGINATOR: Barbara Keene

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF ARIZONA PUBLIC  
SERVICE COMPANY'S REQUEST FOR  
APPROVAL OF MODIFICATIONS TO  
DECISION NO. 70960

DOCKET NO. E-01345A-07-0712  
  
DECISION NO. \_\_\_\_\_  
  
ORDER

Open Meeting  
September 22 and 23, 2009  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On June 12, 2009, APS filed a request for approval of modifications to Decision No. 70960 (April 7, 2009). Decision No. 70960 approved revisions to APS' Residential Existing Home Heating, Ventilation and Air Conditioning ("Residential HVAC") demand-side management program.

3. The Residential HVAC program promotes the replacement of air conditioners and heat pumps in existing homes with more energy-efficient equipment. Because actual measured energy savings from the Residential HVAC program were found to be lower than had been expected, Decision No. 70960 approved revisions to the program that would make it more cost-effective. Revisions include combining equipment rebates with quality installation rebates to

1 increase the likelihood that each rebated installation is properly installed to achieve the expected  
2 energy savings.

3 4. Decision No. 70960 also provides that the combined equipment and quality  
4 installation rebates are only available if the HVAC installations are installed by APS Qualified  
5 Contractors. In order to be an APS-certified Qualified Contractor, a company has to be a member  
6 of the Arizona Heat Pump Council ("Council") and the Electric League of Arizona ("ELA"), and at  
7 least 10 percent of the company's technicians need to complete all of the Arizona Heat Pump  
8 Council's training classes required for Master Technician certification. There is also a continuing  
9 education requirement that requires the company's technicians as a whole to complete on average a  
10 minimum of one class per technician per year. There are currently 147 Qualified Contractors.

11 5. The cost of annual membership is \$1,400 for the Council and \$321 for the ELA.  
12 The total cost for each technician employed by a contractor in the Qualified Contractor program to  
13 take the classes for Master Technician certification is \$452. The total costs for each technician of  
14 a contractor, not a member of the Council, to take the classes for Master Technician certification is  
15 \$1,159.

16 APS Request

17 6. APS' request for modification of Decision No. 70960 proposes the following:

- 18 a. Contractors that are not members of the Council and ELA could offer rebates if:
- 19 i. They are licensed, bonded and insured, and  
20 ii. They complete the same training required of APS Qualified Contractors.
- 21 b. APS would pay contractors who do not want to remain members of the Council  
22 and ELA the prorated remainder of their annual membership dues, and such  
payments would be recoverable program expenses.

23 7. If the above modifications are approved, APS would list on its website the  
24 contractors eligible to offer rebates. To keep track of training, APS would require contractors  
25 which are not members of the Council and ELA to send APS a list of their Master Technicians at  
26 the end of each month. The contractor would also need to send a certificate of completion of the  
27 class work required to satisfy the on-going training requirement. The contractor would be  
28 removed from the eligibility list if the contractor has less than the required number of Master

1 Technicians or is not in compliance with the on-going training requirement until the situation is  
2 corrected. APS expects this tracking to add an additional \$10,000 to \$15,000 annual expense to  
3 the program, but the cost may be balanced by additional energy savings resulting from increased  
4 participation in the program.

5 8. On July 23, 2009, APS' request for modification of Decision No. 70960 was placed  
6 on a Commission Staff Open Meeting agenda for consideration. At that time, the Commission  
7 directed Staff to evaluate APS' request.

8 Staff Analysis and Recommendations

9 9. Staff believes that eliminating the requirement that contractors be members of the  
10 Council and ELA would have no impact on the cost-effectiveness of the APS Residential HVAC  
11 program as long as the quality of the installations is maintained. It is training that would be  
12 expected to contribute to properly installing HVAC equipment, not membership in particular  
13 organizations.

14 10. Staff has recommended that the Commission amend Decision No. 70960 to allow  
15 contractors to offer rebates through the APS Residential HVAC program without being members  
16 of the Council and ELA if they (1) are licensed, bonded and insured, and (2) obtain training or  
17 certification from the Council or equivalent training or certification that is acceptable to APS.  
18 Examples of equivalent training or certification may include, but not be limited to, certification in  
19 air conditioning installation or heat pump installation provided by North American Technician  
20 Excellence, training provided or sponsored by the Arizona Energy Office, certification by the  
21 Building Performance Institute, training provided through Air Conditioning Contractors of  
22 America, certification by HVAC Excellence, or training provided or sponsored by a utility.

23 11. Staff has further recommended denial of APS' proposal to pay contractors who do  
24 not want to remain members of the Council and ELA the prorated remainder of their annual  
25 membership dues, and recover such payments as program expenses. Ratepayers should not be  
26 responsible for the cost. If the Commission were to decide otherwise, the payments could total  
27 about \$31,000.

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12. In addition, Staff has recommended that all other requirements of Decision No. 70960 should remain.

### CONCLUSIONS OF LAW

1. APS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated September 16, 2009, concludes that Decision No. 70960 should be modified as discussed herein.

4. It is not necessary for the Commission to hold an evidentiary hearing before amending Decision No. 70960 as described herein.

### ORDER

IT IS THEREFORE ORDERED that Decision No. 70960 is amended to allow contractors to offer rebates through the Arizona Public Service Company Residential Existing Home Heating, Ventilation and Air Conditioning program without being members of the Heat Pump Council and Electric League of Arizona if they (1) are licensed, bonded and insured, and (2) obtain training or certification from the Council or equivalent training or certification that is acceptable to APS.

IT IS FURTHER ORDERED that Arizona Public Service Company's proposal to pay contractors who do not want to remain members of the Council and ELA the prorated remainder of their annual membership dues is denied.

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1 IT IS FURTHER ORDERED that all other requirements of Decision No. 70960 shall  
2 remain.

3 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

COMMISSIONER

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10 \_\_\_\_\_  
COMMISSIONER

COMMISSIONER

COMMISSIONER

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12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto, set my hand and caused the official seal of  
this Commission to be affixed at the Capitol, in the City of  
Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

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18 ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

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20 DISSENT: \_\_\_\_\_

21 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR ARIZONA PUBLIC SERVICE COMPANY:  
2 DOCKET NO. E-01345A-07-0712

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